

Q.P. Code : 13876 Management
Accounting

(Revised Course - New Pattern)

(2½ Hours)

[Total Marks : 75]

- N.B. : (1) All questions are compulsory and carry 15 marks each.
(2) Question Nos. 2 to 5 have internal option.
(3) Working notes should Form Part of your answer.
(4) Proper presentation and neatness is essential.
(5) Use of simple calculator is allowed.
(6) Figures to the right indicate full marks.

1. (A) Fill in the blanks with most appropriate option and rewrite whole sentence. 8
(any eight)

- (1) The main purpose of _____ ratio is to show the extent to which working capital is blocked in inventories.
(Inventory Turnover / Stock-Working Capital / Stock Velocity)
- (2) _____ expenses refers to those expenses which the company has incurred, of which the benefits are yet to be realised.
(Outstanding / Prepaid / Non-Cash)
- (3) _____ is not considered as an intangible asset.
(Loose Tools / Patents / Trademarks)
- (4) If a machine costing ₹ 70,000 (W.D.V ₹ 30,000) sold for ₹ 60,000, it results in the cash inflow from investing activities of _____.
(₹ 70,000 / ₹ 30,000 / ₹ 60,000)
- (5) Preliminary expense is an example of _____ expenditure.
(revenue / capital / deferred-revenue)
- (6) Current Ratio serves as an index of _____ solvency.
(long-term / short-term / immediate)
- (7) _____ information is used by top management to plan the objectives of the organisation and to assess whether the objectives are being met in practice.
(Operational / Tactical / Strategic)

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- (8) In 'Cash Flows from Operating Activities' adjustment for changes in working capital will not include change in _____
(inventories / sundry creditors / provision for tax)
- (9) _____ Analysis means comparing figures in a financial statements of a single period.
(Horizontal / Standard / Vertical)
- (10) In 'trend analysis statement' downward trend will be clearly indicated by the trend percentage being _____ 100.
(more than / less than / equal to)
1. (B) State whether the following statements are True or False and rewrite (any seven) 7
- (1) It is compulsory for every company to prepare and publish their trend analysis statements every year.
 - (2) Decrease in the balance of sundry debtors results in cash inflow.
 - (3) Investment in the shares of a subsidiary company is a short term investment.
 - (4) Issue of equity shares on redemption of convertible debentures is a non-cash transaction.
 - (5) While estimating working capital requirement, availability of 'Cash Credit' facility from bank will never be considered.
 - (6) Selling and distribution overheads are included in the valuation of finished goods.
 - (7) There is no difference in non-operating expenses and non-cash expenses.
 - (8) In comparative statements revenues of one particular year are compared with assets as at the end of that year.
 - (9) In trend analysis statement latest year is taken as base year.
 - (10) Capital gearing ratio compares own funds with owed funds.

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2. Following is the Trial Balance of Kusumanand Ltd. as on 31st March, 2015.

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Trial Balance

Particulars	Dr. ₹	Particulars	Cr. ₹
Preliminary Expenses (Not yet written off)	10,000	Equity Share Capital	5,00,000
Goodwill	1,00,000	General Reserve	2,10,000
Plant & Machinery	4,00,000	10% Debentures	1,00,000
Land & Building	2,50,000	Accounts Payable	1,30,000
Investments	1,00,000	Proposed Dividend	50,000
Opening Stock	50,000	Sales	5,00,000
Accounts Receivable	2,00,000	Interest on Investments	10,000
Cash	40,000		
Depreciation on plant and machinery	40,000		
Wages	60,000		
Purchases	2,00,000		
Administrative Expenses	70,000		
Selling Expenses	60,000		
Interest on Debentures	10,000		
Total	16,00,000	Total	16,00,000

Additional Information :

- (1) Closing Stock as on 31st March 2015 is ₹ 60,000.
- (2) Make provision for Tax @50% on PBT.

You are required to prepare vertical Income Statement for the year ended 31st March 2015 and vertical Balance Sheet as on that date for financial analysis.

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2. (A) Following are the Balance Sheets of Nileema Ltd. as on 31st March, 2014 and 2015. 8

Balance Sheets
as on 31st March

Equity & Liabilities	2014	2015	Assets	2014	2015
	₹	₹		₹	₹
Equity Share Capital	70,000	70,000	Fixed Assets	80,000	90,000
11% Preference Share Capital	50,000	60,000	Investments	50,000	40,000
General Reserve	22,000	24,000	Current Assets	57,000	32,000
10% Debentures	30,000	-	Preliminary Exps.	10,000	8,000
Current Liabilities	25,000	16,000			
Total	1,97,000	1,70,000	Total	1,97,000	1,70,000

Prepare a comparative Balance Sheet from the above in vertical form.

2. (B) Following is the Trading and Profit & Loss Account of Omkar Ltd. for the year ended 31st March, 2015. 7

Trading and Profit & Loss Account
for the year ended 31st March, 2015

Dr.		Cr.	
Particulars		Particulars	₹
To Opening Stock	21,600	By Sales	1,20,000
To Purchases	87,600	By Closing Stock	36,000
To Wages	13,200		
To Carriage Inward	4,800		
To Gross Profit b/d	28,800		
Total	1,56,000	Total	1,56,000
To Operating Expenses	24,000	By Gross Profit b/d	28,800
To Loss on sale of Asset	6,000	By Interest on Investment	15,600
To Income Tax Provision	2,400		
To Net Profit c/f	12,000		
Total	44,400	Total	44,400

Prepare a Common size Income Statement from the above in vertical form.

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3. Sachin Ltd. furnishes you their Balance Sheet as on 31st March, 2015 with some additional information. 15

Balance Sheet
as on 31st March, 2015

Equity & Liabilities	₹	Assets	₹
Equity Share Capital	2,00,000	Goodwill	85,000
10% Preference Share Capital	2,00,000	Building (at cost)	2,00,000
Reserves	30,000	Machinery (at cost)	2,00,000
Profit and Loss Account	25,000	Furniture (at cost)	75,000
12% Debentures	1,50,000	Vehicle (at cost)	1,75,000
15% Public Deposits	1,00,000	Debtors (Last Year ₹ 80,000)	1,10,000
Creditors (Last Year ₹ 30,000)	40,000	Bills Receivable (Last Year ₹ 65,000)	95,000
Bills Payable (Last Year ₹ 25,000)	35,000	Inventories (Last Year ₹ 70,000)	50,000
Bank Overdraft	10,000	Cash & Bank Balance	60,000
Depreciation provision	1,00,000	Prepaid Insurance	5,000
Provision for Income Tax	50,000	Advance Income-Tax	40,000
Provision for Dividend	60,000	Preliminary Expenses	5,000
Total	10,00,000	Total	10,00,000

Further information:-

- (a) Total Sales for the year ₹ 24,00,000 (70% on Credit)
 (b) Gross Profit Rate 25%
 (c) Profit before tax ₹ 1,40,000

Calculate the following ratios and offer your comment only on Current Ratio.

- (i) Current Ratio
 (ii) Proprietary Ratio
 (iii) Return on Capital Employed
 (iv) Debt Service Ratio
 (v) Capital Gearing Ratio
 (vi) Creditors Turnover Ratio and
 (vii) Debtors Turnover Ratio

Note :- Converting statement in vertical form is not expected.

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3. Following is the summarized financial position of Chetan Ltd. as on 31st March. 15

Balance Sheet
as on 31st March

Equity & Liabilities	2014 ₹	2015 ₹	Assets	2014 ₹	2015 ₹
Equity Share Capital	3,00,000	3,50,000	Fixed Assets (cost)	9,00,000	10,35,000
9% Preference Share Capital	2,00,000	3,00,000	Investments	1,00,000	2,40,000
General Reserve	1,00,000	1,50,000	Inventories	2,00,000	4,00,000
Profit & Loss A/c	70,000	1,60,000	Advance Income Tax	70,000	80,000
Securities Premium	-	10,000	Account Receivable	2,30,000	2,00,000
10% Debentures	2,00,000	4,00,000	Cash Balance	-	50,000
Accounts Payable	3,00,000	2,00,000	Discount on Issues of Debenture	20,000	10,000
Bank Overdraft	50,000	30,000			
Depreciation Provision	1,90,000	2,50,000			
Provision for Taxation	80,000	90,000			
Proposed Equity Dividend	50,000	75,000			
Total	15,40,000	20,15,000	Total	15,40,000	20,15,000

Additional information

- (1) During the year 2014-15 a fixed asset having original cost of ₹ 1,65,000 was sold at loss of ₹ 15,000. Depreciation for the year was ₹ 2,00,000.
- (2) Income Tax assessment was completed for the year ended 31-03-2014 on 10-04-2015 at ₹ 75,000.
- (3) Additional 9% Preference Shares & 10% Debentures were issued on 01-04-2014 preference dividend and Debenture Interest is paid on 31st March every year.

Investments of ₹ 50,000 were sold for ₹ 60,000

You are required to prepare Cash Flow Statement as per AS - 3 by Indirect Method after considering above information.

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4. Prajisha Ltd. manufactures and sales 2,40,000 units of a product in a year. 15
The selling price of the product is ₹ 50/- per unit and its analysis is :

Raw Material	: 40%
Direct Labour	: 20%
Other Direct Cost	: 10%
General Overheads	: 10%
Selling and Distribution Overheads	: 10%; and the balance is profit.

The following estimates for the year 2016 are given for your consideration :

- 'Raw Materials' remain in stock for 1 month.
 - Suppliers of Raw Materials allow 2 month's credit.
 - The 'Work-in-Progress' is to be valued at 80% of the total direct costs of one month's production.
 - 'Finished Goods' equal to $\frac{1}{2}$ month's requirement are in stock.
 - Customers are allowed 2 months' credit.
 - Time lag in payment of wages is one month.
 - Both the overheads are paid one month in advance.
 - Of the total sales 40% is on credit.
 - Cash for contingencies is maintained at 10% of net working capital (excluding cash).
 - Sundry debtors are to be valued at selling price.
 - All the activities of production and sales accrue evenly throughout the year.
- Calculate estimated working capital requirement of Prajisha Ltd. for the year 2016.

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4. From the following Balance Sheet of Praful Ltd., prepare Trend Percentage Statement in vertical form : 15

Balance Sheets as on 31st March

Particulars	2013 ₹	2014 ₹	2015 ₹
Equity & Liabilities			
Equity Share Capital	2,00,000	2,00,000	2,00,000
8% Preference Share Capital	1,00,000	1,50,000	1,00,000
General Reserve	20,000	22,000	42,000
Debentures	75,000	1,00,000	90,000
Bills Payable	5,000	7,000	10,000
Creditors	15,000	10,000	24,000
Total	4,15,000	4,89,000	4,66,000
Assets			
Fixed Assets	1,50,000	2,00,000	2,00,000
Investments	1,00,000	1,50,000	1,00,000
Cash	50,000	25,000	40,000
Debtors	70,000	60,000	63,000
Stock	40,000	50,000	60,000
Preliminary Expenses	5,000	4,000	3,000
Total	4,15,000	4,89,000	4,66,000

5. (A) Explain the different types of information. 8
(B) State the different types of working capital. 7

OR

5. Write short notes on :- (any three) 15

- (1) Functions of management accounting.
- (2) Types of financial analysis.
- (3) Financial classification of accounting ratios.
- (4) Sources of cash outflows.
- (5) Importance of working capital.

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